

Factors Influencing Employee Attrition in India and Measures to Curb It

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Abstract:

A major concern for most of the organisations these days is to retain its talented employees. Attracting talent is not so difficult but retaining it poses a major challenge. India is also facing a major problem of attrition. It becomes very important for organisations to look into the reasons which prompt an employee to leave the organisation.

This paper seeks to analyse the factors which influence attrition and also suggests certain measures through which attrition maybe controlled.

I. INTRODUCTION

Attrition refers to the number of people that leave an organisation during a given period of time due to reasons such as retirement, resignation and death. Separation of an employee from an organization usually is an expensive affair. The organisation spends a lot of time, effort and money in recruiting, selecting, training and maintaining an employee within the organization. So when an employee leaves the organisation, all these efforts go in vain. Hence as far as possible, a company desires to have a minimum attrition rate. A lot of factors affect an employee's choice of leaving an organisation. They may either be organizational factors or personal factors.

Almost all the industries are facing the problem of attrition. IT, BPO, banking and retail sectors are badly hit by the wave of attrition. The IT sector witnesses attrition rate of 25 percent. Retail and BPO sector face a high attrition rate hovering around 50 percent.

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The banking sector in India has also been facing the severe problem of attrition. In an interview *Alok Kumar Mishra*, chairman and managing director, Bank of India, *Pratip Chaudhuri*, chairman, State Bank of India and *Saurabh Tripathi*, partner and director, BCG Group, in 2012, said that attrition is a major concern for private banks in India. The attrition rate is on a rise in private banks and the same trend will follow in the public sector banks. Another report suggests that attrition rates will hover around 18% in 2014.

A study conducted by Hay Group claims that India is anticipated to face the highest attrition rates globally at approximately 26.9 percent. It claims that 1 in 4 employees will switch jobs as growth rate increases.

II. REVIEW OF LITERATURE

Since attrition is an issue plaguing many organisations and industries, considerable work has been done in this area. *Devi and Panchanatham (2010)* commented on the structure of call centers and considered it a major cause of employees leaving a call center. According to them, the existing system is rigid and lacks career progression. Also, new entrants to this industry are more susceptible to the pressure of the industry. So they suggested overhauling the recruitment, selection and training program to retail employees. Lack of females at top positions was also cited as a problem.

In their study, *Shukla and Sinha (2013)* suggested that the most important factors impacting employee turnover are dissatisfaction from job and work environment.

Webb (2011) linked the workers' motivation to the emotional intelligence of the leaders and managers. It affects the employees' loyalty towards the organisation. It was suggested that the organisations must assess the emotional intelligence of managers and constantly evaluate the level of worker commitment and satisfaction with the leader and the organisation.

Adams (1965) points out that there should be equity between the outcome a person receives and the input he puts into his work. Also, inequity arises when a person compares his outcome-input ratio with another person's outcome-input ratio and notices some inconsistency. In such a situation, a person may alter his inputs or outcomes or may try and adjust the outcomes and inputs of the other person. Alternatively, he may change the comparison person or in the most extreme case, may quit the situation and the organisation. This analysis shows that employees consider equality at workplace, of immense importance, the absence of which may even force them to quit an organization.

Most of the literature focuses on the negative aspects of attrition. However, *Narkhede and Chaudhari (2011)* pointed towards some positive outcomes of attrition. They say that attrition maybe desirable in certain situations. Sometimes if an employee stays within the organisation, he/she may prove to be costlier than when he/she leaves it. If attrition happens in a controlled manner, it may even be desirable.

In his study, *Sheriff (2009)*, asserted that to retain talented employees the organisation must clearly communicate their expectations about rewards and also deliver on its promises. A common reason for

employees to quit an organisation is dissatisfaction with work environment. If employees feel that they are treated unfairly they will start looking for other jobs.

Alderfer (1969) suggested Existence, Relatedness and Growth theory which was, to some extent, a revision of Maslow's Need Hierarchy Theory. He suggests that human needs are classified into three categories, rather than the five categories suggested by Maslow. The existence needs comprised of the basic material, sustenance and safety needs. Relatedness needs basically refer to the interpersonal relationships. Growth needs are concerned with realising the full potential of an individual. For an employee all three needs are important, the lack of which may lead to dissatisfaction.

All the above literature and research point towards the various factors which are crucial for an employee to stay in any organisation.

III. OBJECTIVES OF THE STUDY

- To understand the meaning of attrition.
- To determine the various factors which force an employee to leave an organisation.
- To analyse the strategies to curb attrition.
- To assess the cost and benefit of attrition.

IV. RESEARCH METHODOLOGY

The paper seeks to understand the various issues related with attrition. Secondary data regarding the trends in attrition in banking sector is collected from magazines, journals, newspapers, etc.

V. FACTORS AFFECTING EMPLOYEE ATTRITION

Attrition can be understood in two senses, one where an employee leaves the entire industry and two where he/she is just shifting into another organisation. Various factors influence and force an employee to leave a job. Some of them are discussed below:

- *Compensation:* Dissatisfaction with pay is one of the most common reason due to which employees leave an organisation. Employees put in hard work to make an organisation successful and if they feel that the reward, in the form of compensation, do not commensurate with their effort, they quit the organisation in search of better opportunities. This has been well explained by J.S. Adams in the Equity theory. While deciding the compensation, employers must ensure that internal as well as external equity is maintained. Hay Group's study suggests that a major concern for India employees is fairness of pay (55%).
- *Career Advancement:* Lack of growth opportunities often lead to an employee leaving an organisation. Any organisation which does not provide ample opportunities to its employees for career growth is likely

to face high attrition. No employee wants to stagnate. If the organisation does not provide opportunities for advancement, talented employees may look elsewhere for better opportunities.

- *Dissatisfaction with Job:* Often employees do not feel happy with their job. Due to this the employee may leave the organisation or may even leave the industry. It usually happens when there is no employee-job fit. For overcoming this problem, there should be a proper job analysis and placement decisions must be taken after careful consideration of employee-job fit. Job enrichment can also be used as a tool to retain talented employees.
- *Organisational Culture:* A healthy work culture and environment is necessary for the success of any organisation. Organisational culture refers to the common beliefs, attitudes and customs developed over time which are deep rooted in the organisation. It is reflected through the organisation's interaction with the employees as well as the outside world. Organisations with low attrition rates usually have a positive work culture as compared to organisations with high attrition rates.
- *Relationship with Co-Workers:* A healthy and cordial relationship with co-workers is essential for the long term survival of any employee within the organisation. If the co-workers are hostile towards the employee, he/she may not feel a part of the organisation and may consider leaving the organisation.
- *Relationship with Supervisors and Managers:* Employees seek appreciation for their work. The managers and supervisors must ensure that the employees are motivated and any dissatisfaction must be discussed. It is often said that an employee leaves the manager and not the organisation. A manager must try and anticipate the work related problems that an employee is facing and work towards solving them.
- *Lack of Participative Decision Making:* An organisation which involves its employees in decision making and gives them higher responsibilities is more likely to retain ambitious employees. If the employees do not have a say in the day to day functioning of the organisation, they may feel restricted and may want to leave the organisation.
- *Personal Reasons:* Personal reasons are most often cited as the reason for quitting an organisation. Marriage and shifting to another location are common among women employees. Apart from this, health reasons are also cited as reasons for leaving an organisation. Lack of work-life balance is also a major cause of attrition in a lot of sectors.

V. MEASURES TO CURB ATTRITION

Employee attrition is inevitable. There would always be employees who leave the organisation. However, organisations can do a lot to minimise it. Some of the measures to reduce attrition have been discussed below:

- *Conducting Exit Interview:* An exit interview must be conducted for the employees who are leaving the organisation. They are given the opportunity to speak freely about the reasons that led to their leaving the organisation. Exit interviews must not be done as a mere formality. They provide great insight into the organisation and where is it going wrong. If the problems which the outgoing employee faced, are rectified in time, the company may save itself from losing other talented employees.

- *Proper Communication:* Employees must be able to communicate their problems and discuss other important issues with their managers and supervisors. If issues and conflicts are brought to the attention of the management on time, steps may be taken to resolve them.
- *Appropriate Selection and Placement:* Organisations must not only ensure that the best candidate is selected but they must hire the best person for a particular job. While placing an employee on the job, employers must keep in mind the needs of the job as well as the interest and aspirations of the employee. There must be an employee-job fit.
- *Competitive Compensation:* The compensation package must be reviewed periodically and must be at par with that of similar organisations. Incentives and other benefits may also be offered to employees to keep them satisfied with their pay.
- *Opportunity to maintain work-life balance:* An organisation may offer employees options like work from home, flexi-time, telecommuting, etc., to ensure work life balance. Recreational activities should be organised on a regular basis to relieve stress.
- *Change in leadership style:* Managers must recognise and appreciate hard working employees. They must move towards participative management and give more responsibilities to the employees.

VI. COST OF ATTRITION

When an employee joins an organisation, a lot of cost is incurred in recruiting, selecting, placing and training an employee. When the employee leaves, all these costs go waste. In addition to these costs the organisation also loses competent employees. If key managerial employees leave, business secrecy also faces threat.

VII. POSITIVE ASPECTS OF ATTRITION

Though usually viewed in a negative sense, attrition may also have certain benefits. Some of them are:

- Attrition may prove to be desirable when those employees, with whom the organisation no longer wishes to associate, leave the organisation. It may reduce a conflict situation.
- It may benefit the organisation by reducing the surplus staff.
- It may benefit the employees by providing them better opportunities for work elsewhere.
- It may help in bringing new ideas and energy into the organisation.

VIII. CONCLUSION

It is well accepted that employees are the backbone of any organisation. If any organisation faces a very high rate of attrition, it will prove to be costly and harmful in the long run. Hence organisations must try to find out the reasons behind the high attrition rate and endeavour to overcome it. Some amount of attrition is unavoidable and may even prove to be beneficial but it must be ensured that it does not increase to unmanageable proportion.

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